


## Content

Title :	Regulations Governing the Raising, Application, and Management of Urban Renewal Investment Trust Funds 
Date :	1999.05.14
Legislative :	Twenty-seven articles promulgated in full on 14 May 1999 per Order Taiwan-Finance-Securities-01894 of the Securities & Futures Commission, Ministry of Finance
Content :	<p>Article 1</p> <p>These Regulations are adopted pursuant to Paragraph 1 of Article 51 of the Statute Governing Urban Renewal (hereinafter referred to as "the Statute").</p> <p>Article 2</p> <p>The term "trust institution" as used herein means a financial institution engaged by an urban renewal investment trust company to manage or dispose urban renewal investment trust funds for the benefit of beneficiaries in accordance with the intent of an urban renewal investment trust contract, and approved by the Ministry of Finance to transact trust business.</p> <p>The term "urban renewal investment trust beneficiary certificate" as used herein means a security issued by an urban renewal investment trust company for purposes of raising an urban renewal investment trust fund.</p> <p>The term "beneficiary" as used herein means the beneficiary of a registered urban renewal investment trust beneficiary certificate.</p> <p>The term "urban renewal investment trust contract" as used herein means a contract regulating rights and obligations among an urban renewal investment trust company, a trust institution, and a beneficiary.</p> <p>The term "urban renewal investment trust fund" as used herein means a fund raised by an urban renewal investment trust company in accordance with these Regulations, and property obtained by utilizing such funds.</p> <p>Article 3</p> <p>The beneficial rights of urban renewal investment trust funds shall be equally divided according to the total number of beneficial right units.</p> <p>The number of beneficial right units of each urban renewal investment trust beneficiary certificate shall be as inscribed on the urban renewal investment trust beneficiary certificate.</p> <p>Principal repayment rights, proceed distribution rights, and other rights shall be exercised by beneficiaries based on the number of beneficial units in accordance with the content inscribed on the urban renewal investment trust beneficiary certificates.</p> <p>Article 4</p> <p>Urban renewal investment trust funds raised by urban renewal investment trust companies shall be limited to funds that the urban renewal investment trust companies may not be requested to buy back. Urban renewal investment trust companies shall not raise funds before filing an application with and obtaining approval from the Securities and Futures Commission (hereinafter referred to as the SFC) of the Ministry of Finance. The following documents shall be submitted with the application:</p>

1. Application form for raising an urban renewal investment trust fund (format as shown in Attachment 1);
2. Urban renewal investment trust beneficiary certificate issuance plan;
3. Urban renewal investment trust contract;
4. Prospectus;
5. Minutes of the board of directors meeting [approving the] raising of an urban renewal investment trust fund;
6. Photocopies of the documents certifying that the managers of the urban renewal investment trust fund fulfill the qualifications set forth in the provisions of the Regulations Governing the Establishment, Supervision, and Management of Urban Renewal Investment Trust Companies;
7. Declaration by the trust institution that it is free of any of the circumstances enumerated in the Subparagraphs of Article 14;
8. Financial report for the most recent accounting year certified by a Certified Public Accountant;
9. Other documents the SFC requires to be submitted.

The particulars to be included in the urban renewal investment trust beneficiary certificate issuance plan referred to in Subparagraph 2 of the preceding paragraph shall be prescribed by the SFC.

Before reviewing an application filed by an urban renewal investment trust company to raise an urban renewal investment trust fund, the SFC shall first consult with the Central Competent Authority under the Statute and obtain its opinion.

#### Article 5

The urban renewal investment trust contract shall contain the following particulars:

1. Names and addresses of the urban renewal investment trust company and the trust institution;
2. Name and duration of the urban renewal investment trust fund;
3. Aggregate par value and total number of beneficial right units issued by the urban renewal investment trust fund;
4. Date of issuance and dollar amount and fee charged for the purchase of each beneficial right unit of the urban renewal investment trust beneficiary certificates;
5. Obligations and responsibilities of the urban renewal investment trust company;
6. Obligations and responsibilities of the trust institution;
7. Basic policies and scope of the instructed utilization of the urban renewal investment trust fund and the handling of property after it is obtained;
8. Items, times, and payment methods for distribution of investment proceeds of the urban renewal investment trust fund;
9. Fees that the urban renewal investment trust fund shall be responsible for paying and their calculation methods, payment methods, and payment times;
10. Method for calculating the compensation of the urban renewal investment trust company and trust institution and the times and method of payment;
11. Method for calculating the net asset value of the urban renewal investment trust fund;
12. Method for calculating and publicly announcing the net asset value of

the beneficial right unit;

13. Provisions regarding amendment, rescission, grounds for termination, termination procedures, and matters to be handled following termination, of the urban renewal investment trust contract;

14. Liquidation method and beneficiary reimbursement claim calculation method, payment method, and payment times upon non-renewal of the urban renewal investment trust fund;

15. NContract signing date;

16. Other required content as provided by the SFC.

Ceilings on the fees and compensation referred to in Subparagraphs 4, 8, 9 of the preceding paragraph shall be prescribed by the SFC.

#### Article 6

Directed utilization of an urban renewal investment trust fund raised by an urban renewal investment trust company shall not commence until approval of establishment has been obtained from the SFC.

An application for trading of an urban renewal investment trust fund on the centralized securities exchange market or over-the-counter (OTC) market may be filed six months after the fund's establishment in accordance with the preceding paragraph.

#### Article 7

When directing the utilization of an urban renewal investment trust fund for investment in land and buildings within the scope of the urban renewal business plan, the urban renewal investment trust company shall limit such investment to land and buildings approved by the competent authority of the municipality, county, or city under the Statute. The company shall also prepare written reports on the planning, obtainment, development, sale, and operational phases, and submit evaluative reports of each phase on a quarterly basis.

Of the written reports referred to in the preceding paragraph, the report on the planning phase shall contain a market analysis, financial analysis, feasibility analysis, expert review opinion, self-evaluation plan, and investment recommendations. The report on the obtainment phase shall specify the type of property rights, the quantity, the dollar amount of the transaction, and the circumstances of price negotiations for the subject matter of the transaction in accordance with the investment decision. The report on the development phase shall contain the implementer's name and the construction schedule. The report on the sales phase shall contain the marketing plan and actual sales conditions. The report on the operations phase shall specify the fees for operation and management, tenancy, and maintenance and repair, and particulars of their receipt/payment. The professional real estate operations and management company engaged for this phase shall provide written reports to the urban renewal investment trust company on sales as well as on operation and management.

To instruct utilization of the urban renewal investment trust fund to purchase or sell securities issued by the implementer, the urban renewal investment trust company shall make an investment decision based on the investment analysis report and deliver it for execution. In addition to keeping records, it shall also submit evaluative reports on a monthly basis.

The investment analysis report referred to in the preceding paragraph shall

specify the foundation and basis of the analysis and the investment recommendation. The investment decision records shall specify the types and quantity of the purchased or sold securities and the timing of the purchase or sale. The record of execution shall contain the types, quantities, and prices of the securities actually purchased or sold and the transaction times, and explain any discrepancies between the investment decision and its execution.

The written materials in Paragraph 2 and Paragraph 4 shall be made in chronological order, filed, and preserved for at least 15 years.

#### Article 8

Before the urban renewal investment trust company instructs utilization of the urban renewal investment trust fund for purchase or sale of land and buildings within the scope of the urban renewal business plan, it shall contact a professional price appraisal institution to provide an appraisal report in accordance with SFC specifications.

The term "professional price appraisal institution" as used herein means an institution whose articles of incorporation or business license include the business item "real estate price appraisal," and where the price appraisal institution, the appraisal personnel, and the parties to the transaction are neither interested parties as provided in Financial Accounting Standards Gazette No. 6 nor de facto interested parties.

A sale or purchase made by an urban renewal investment trust company pursuant to Paragraph 1 of this Article shall be publicly announced within two days of the day the sale/purchase contract takes effect. The company shall then file an application with the SFC, annexing the newspaper with the announcement, the contract, the appraisal or analysis report, and other relevant information.

#### Article 9

When instructing utilization of the urban renewal investment trust fund to purchase or sell listed or OTC securities, except as otherwise provided by law, the urban renewal investment trust company shall instruct the trust institution to engage a securities broker to carry out the trading on a cash on delivery basis on the centralized securities exchange market or the OTC market.

When engaging in purchase and sale as referred to in Paragraph 1 and 3 of Article 7, the urban renewal investment trust company shall instruct the trust institution to carry out settlement procedures such as title registration or delivery/receipt of payment, and make the registration under the name of the trust institution as a specific account of a certain urban renewal investment trust fund.

#### Article 10

The urban renewal investment trust company shall instruct utilization of the urban renewal investment trust fund in accordance with the provisions of these Regulations and the urban renewal investment trust contract, and shall abide by the following provisions:

1. The company shall not invest in land and buildings not approved by the competent municipal, county, or city authority under the Statute and within the scope of the urban renewal business plan.
2. The company shall not invest in other urban renewal investment trust beneficiary certificates except as provided by the SFC.

3. The company shall not provide loans or collateral for loans except as provided by the SFC.
4. The company shall not engage in securities margin trading.
5. The company shall not engage in any trading between or among urban renewal investment trust funds under its own management.
6. The company shall not invest in or sell securities or short-term bills issued or underwritten by interested parties of the urban renewal investment trust company, or lands and buildings held by them, unless in public bidding or auctions.
7. The company shall not utilize the urban renewal investment trust fund to purchase beneficiary certificates of the fund unless the urban renewal investment trust beneficiary certificates are bought back due to non-renewal of the whole or a part of the urban renewal investment trust fund.
8. The company shall not invest an aggregate amount in excess of 5 percent of the net asset value of the urban renewal investment trust fund in stocks or corporate bonds issued by any single implementer.
9. The company shall not invest an aggregate amount in excess of 25 percent of the net asset value of the urban renewal investment trust fund in securities issued by implementers except as provided by the SFC.
10. The company shall not utilize an urban renewal investment trust fund to invest in more than 10 percent of the total number of shares of stock issued by any implementer except as provided by the SFC.
11. The company shall not invest in any unsecured corporate bond that fails to meet or surpass a certain rating by a credit rating agency approved by the SFC.
12. The company shall not engage in any other act prohibited by the SFC.

"Interested parties" in Subparagraph 6 of the preceding paragraph refers to parties to whom any of the following apply:

1. Affiliates of the urban renewal investment trust company as "affiliate" is defined in Chapter 6-1 of the Company Law;
2. Directors or supervisors of the urban renewal investment trust company, or shareholders with aggregate holdings of 5 percent or more of the shares of the urban renewal investment trust company, or
3. A company in which any director, supervisor, managerial officer, or shareholder holding 10 percent or more is the same person as, or is the spouse of, a person in the preceding subparagraph or a managerial officer of the urban renewal investment trust company.

The term "aggregate holdings" in Subparagraph 2 of the preceding paragraph means the sum of the shares of the urban renewal investment trust company held by an enterprise plus the shares of the same urban renewal investment trust company held by directors, supervisors, and managerial officers of the enterprise, and by other enterprises controlled directly or indirectly by the enterprise.

The provisions of Paragraph 2 shall apply mutatis mutandis to a representative or designated representative exercising the functions of a director or supervisor that is a juristic person.

#### Article 11

The property of the urban renewal investment trust fund shall be appraised every three months by the Urban Renewal Investment Trust Fund Property Appraisal Committee. The Committee shall calculate and announce to the

public the net asset value of the urban renewal investment trust fund. The urban renewal investment trust company shall calculate, each business day, the total value of the urban renewal investment trust fund's assets other than land and buildings, and publicly announce the itemized details of the urban renewal investment trust fund's asset portfolio the following business day.

The net asset value of the urban renewal investment trust fund shall be calculated in accordance with applicable laws and regulations and generally accepted accounting principles. It shall be calculated as the total asset value of the fund less total liabilities.

The net asset value of each beneficial right unit shall be calculated by dividing the net asset value of the urban renewal investment trust fund on the day of calculation by the total number of beneficial right units.

The Urban Renewal Investment Trust Fund Property Appraisal Committee referred to in Paragraph 1 shall adopt principles for appraising the property of the fund and shall execute them faithfully.

#### Article 12

Of the property of each urban renewal investment trust fund, the total amounts of deposits at financial institutions and of short-term bills purchased from bills dealers by the urban renewal investment trust company shall not exceed certain maximum percentages. The SFC shall request the Ministry of Finance to set such percentages in consultation with the Central Bank of China.

#### Article 13

The urban renewal investment trust fund raised by the urban renewal investment trust company shall be deposited in a trust institution in a specific investment trust fund account. Property obtained through utilization of the fund shall also be entrusted to that trust institution, and shall be kept separate from property owned by the urban renewal investment trust company and the trust institution respectively.

The trust institution shall establish an individual account for each urban renewal investment trust fund, and shall manage or dispose the funds in accordance with the provisions of these Regulations and the urban renewal investment trust contracts.

#### Article 14

An institution to which any of the following circumstances applies is prohibited from acting as a trust institution unless otherwise approved by the SFC:

1. An institution holding investments of 10 percent or more of the issued shares of an urban renewal investment trust company;
2. An institution that serves as a director or supervisor of an urban renewal investment trust company, or a director or supervisor of which serves as a director, supervisor, or managerial officer of an urban renewal investment trust company;
3. An institution of which 10 percent or more of the issued shares are held by an urban renewal investment trust company;
4. An institution of which any director or supervisor is an urban renewal investment trust company or its representative;
5. An institution responsible for certifying urban renewal investment trust funds;

6. Any other institution that the SFC believes is unsuited to serve as a trust institution.

The provisions of Subparagraph 2 of the preceding paragraph shall apply *mutatis mutandis* to a representative or designated representative exercising the functions of a director or supervisor that is a juristic person.

An urban renewal investment trust company shall adopt and execute standards for selecting trust institutions.

#### Article 15

In the event that a trust institution is unable to continue managing or disposing an urban renewal investment trust fund because of obviously improper management, or dissolution, or revocation of approval, the urban renewal investment trust company shall arrange with another trust institution to take on the relevant operations and shall file for approval with the SFC.

Where the urban renewal investment trust company is unable to comply with the provisions of the preceding paragraph, the SFC shall make arrangements for another custodian institution to take on the operations. In the event that no trust institution is willing to do so, the urban renewal investment trust contract shall be terminated.

Operations transfer matters pursuant to the preceding two paragraphs shall be publicly announced by the urban renewal investment trust company.

#### Article 16

In instructing the utilization of each urban renewal investment trust fund, the urban renewal investment trust company shall establish a fund accounting system in accordance with SFC regulations. It shall also prepare an annual report within four months after the close of each fiscal year, a quarterly report within one month after the end of each quarter, and a monthly report within 10 days after the end of each calendar month. All these reports shall be signed by the trust institution and then filed with the SFC and announced to the public.

The annual report referred to in the preceding paragraph shall be audited and certified by a Certified Public Accountant approved by the SFC.

#### Article 17

Any distributable profit from investment income of the urban renewal investment trust fund shall be distributed within six months after the close of each fiscal year. The distribution date shall be clearly specified in the urban renewal investment trust contract.

The standards for distributable profits referred to in the preceding paragraph shall be separately prescribed by the SFC.

#### Article 18

Urban renewal investment trust beneficiary certificates shall be registered.

A registered beneficiary certificate may be freely transferred. Except as otherwise provided by law or regulation, transfer shall be effected through endorsement and delivery by the beneficiary.

A transfer of an urban renewal investment trust beneficiary certificate under the preceding paragraph shall not be valid as against an urban renewal investment trust company unless the name or company name of the transferee has been recorded on the certificate and unless the name or

company name and domicile or residence of the transferee have also been entered in the beneficiary roster of the urban renewal investment trust company.

#### Article 19

Urban renewal investment trust beneficiary certificates shall be issued by urban renewal investment trust companies in the format prescribed by the SFC, shall clearly bear all required information, and shall be signed by the trust institution prior to issuance.

When issuing urban renewal investment trust beneficiary certificates, certification shall be carried out in accordance with the rules governing certification of issuance of stocks and corporate bonds by companies.

#### Article 20

Urban renewal investment beneficiary certificates shall be serially numbered and shall bear the following information:

1. The name of the urban renewal investment trust fund, the total number of beneficial right units, the date of issue, and the duration;
2. The name and address of the urban renewal investment trust company and the trust institution;
3. The number of beneficial right units represented by the beneficiary certificate;
4. The dollar amount and fee charged for the purchase of each beneficial right unit;
5. The methods for calculating and publicly announcing the net asset value of the beneficial right unit;
6. The method for calculating and paying compensation receivable by the urban renewal investment trust company and the trust institution and the payment time.
7. The name of the beneficiary;
8. Other information required by the SFC.

#### Article 21

The duration of an urban renewal investment trust fund shall be as provided in the urban renewal investment trust contract.

The grounds for termination of an urban renewal investment trust fund shall be based on the provisions of the urban renewal investment trust contract except as otherwise provided by laws and regulations. However, out of concern for the public good or the interests of beneficiaries, the SFC may terminate the urban renewal investment trust fund contract by order if such termination is advisable.

#### Article 22

Where an urban renewal investment trust fund will terminate due to expiry of the duration period, the urban renewal investment trust company shall adopt a plan for liquidation of the fund and submit it to the SFC for approval two months prior to expiry.

Where an urban renewal investment trust fund will terminate for a reason other than that in the preceding paragraph, the urban renewal investment trust company shall adopt a plan for liquidation of the fund and submit it to the SFC for approval within two months of learning of the cause for termination.

The urban renewal investment trust company shall publicly announce the liquidation plan and distribution method approved by the SFC and shall



notify the beneficiaries. Further, within two months after the conclusion of the liquidation procedures, it shall report the results to the SFC and notify the beneficiaries.

In the event that the urban renewal investment trust company fails to comply with the provisions of Paragraph 1 or 2, the SFC may order the trust institution to carry out liquidation in accordance with provisions.

#### Article 24

Urban renewal investment trust companies and trust institutions shall make available for inspection at their and their agent's place of business the urban renewal investment trust fund prospectus, the urban renewal investment trust contract, the financial statements for the most recent year, and other documents required by the SFC to made publicly available. Urban renewal investment trust companies and trust institutions shall provide copies of the urban renewal investment trust contract at the request of investors, and may charge a fee at cost for copies of the contract.

#### Article 25

The SFC may, without notice, order a trust institution or its related persons to provide reports or information on the management or disposition of the urban renewal investment trust fund, and may inspect books and documents related to the urban renewal investment trust fund.

#### Article 26

Violators of these Regulations shall be punished pursuant to applicable provisions of the Securities and Exchange Law.

#### Article 27

These Regulations shall take force on the date of promulgation.

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Data Source : Financial Supervisory Commission Laws and Regulations Retrieving System